

# Memorandum

To: CHAIR AND COMMISSIONERS

CTC Meeting: November 6-7, 2002

Reference No.: 2.5b.(4)  
Action Item

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Ref: **ALLOCATIONS FOR PROJECTS AMENDED INTO THE SHOPP,  
RESOLUTION FP-02-45**

The Department is asking the Commission to approve a financial resolution, to allocate \$8,939,000 of State Highway Account and Federal Trust funds for one (1) State Highway Operation Protection Program (SHOPP) construction project amended into the SHOPP by Departmental action. The project is for the seismic retrofit of the Department's Headquarters (HQ) Office Building located at 1120 N Street in Sacramento. This request was discussed during the October Commission meeting. The Commission had questions regarding the cost effectiveness of the retrofit and other rehabilitation needed for the HQ office building versus replacement, and asked for additional detail on the Headquarters Consolidation Study which is currently underway.

## **RECOMMENDATION:**

The Department of Transportation (Department) recommends the California Transportation Commission (Commission) approve the following Resolution.

## **FINANCIAL RESOLUTION:**

Resolved, that \$8,939,000 be allocated from Item 2660-311-0042 of the Budget Act of 2002, for one (1) project on the attached list.

The Department has complied with the California Environmental Quality Act requirements in preparing this project.

This project has been amended into the State Highway Operation and Protection Program (SHOPP) by Departmental Action on September 4, 2002 and noticed at the October 2002 Commission meeting.

**BACKGROUND:**

The Department's Sacramento Headquarters (HQ) Office Building is located at 1120 N Street, and includes 451,108 gross square feet (gsf) of space. The original building was constructed in 1936 and included 157,580 gsf. Annex I was constructed in 1947 adding 213,251 gsf, and Annex II was completed in 1961 adding another 80,277 gsf. The HQ office building serves about 2,100 employees.

In December 1995 and July 1997, the Department of General Services evaluated the HQ office building and categorized Annexes I and II as Seismic Risk Level V and VI (expected to sustain substantial to extensive structural damage, injury and fatalities).

Senate Bill 1250 enacted in 1999 requires the State to provide buildings that are able to withstand earthquake forces without endangering occupants or significantly disrupting the performance of essential services (Risk Level III). In July 2000, the Commission allocated \$1.2 million to develop design drawings (developed by the Department of General Services) for the seismic retrofit of the HQ office building to comply with the statute. The design drawings are nearly complete. At the October Commission meeting the Department asked for an allocation of the funds needed for construction of the seismic retrofit improvements. The Commission had questions regarding the cost effectiveness of the retrofit and other rehabilitation needed for the HQ office building versus replacement of the building, and asked for additional detail on the Headquarters Consolidation Study which is currently underway.

The Department is committed to keeping a strong presence in the downtown Sacramento Government core area and intends to continue to occupy the 1120 N Street site. It is anticipated that use of the existing HQ office building will continue for at least the next ten years. But, the question of how much should be invested for rehabilitation and retrofit of the existing HQ office building versus a commitment to a larger investment for major rehabilitation or replacement is appropriate. The Sacramento Headquarters Consolidation Study is intended to answer this question. A recommendation for replacement or major rehabilitation of the HQ office building prior to completion of the study would be premature, but the decision on the seismic retrofit work is needed now since the money for the work is included in the Governor's approved State Budget Act of 2002. Recognizing the now need for the decision, the Department has completed an analysis of the cost effectiveness of the seismic retrofit investment. The conclusion is that it is more cost effective to do the seismic retrofit work now and stay in the HQ office building. Findings from the analysis include:

- Senate Bill 1250 enacted in 1999 requires the State to provide buildings that are able to withstand earthquake forces without endangering occupants or significantly disrupting the performance of essential services (Risk Level III).

- The HQ office building Annex I has been determined to have a Risk Level of V, and Annex II has a Risk Level VI.
- The state buildings immediately east and west of the HQ office building have already been retrofitted.
- Funding is included in the State Budget Act of 2002 for retrofit of the HQ office building, and work can when the CTC approves the allocation.
- There is no budget authority for other major rehabilitation or replacement of the HQ office building at this time. Nor is there budget authority for renting or leasing other space and moving employees.
- Failure to proceed with the retrofit of the HQ office building could result in some or all of the employees having to be moved out of the building.
- The cost to rent or lease comparable space for those that would be moved has been estimated at between \$550,000 to \$1,050,000 per month depending on the number of employees moved and the cost per square foot for the new facility. There would be additional cost for the actual move and set-up, and lost productivity from disruption during the move. The costs would also escalate over whatever period is required to either complete the retrofit, renovation or replacement facility. The estimate to rent or lease space is based on a projected cost of \$1.90 to \$2.30 per square foot per month. Because of limited availability of office space in the downtown area of the total size needed, it is likely that multiple sites would be needed.
- No other rehabilitation is anticipated at this time, however, routine maintenance will continue. The cost of the maintenance has not been included in the analysis.
- In one year, the cost to move the employees out of the building could be greater than the \$8.9 million needed for the retrofit.

Based on these findings, the Department recommends that the Commission approve the allocation for the seismic retrofit work.

The Sacramento Headquarters Consolidation Study is underway. It will provide the needs assessment, options, economic evaluations and recommendations for the long-term consolidation plan for the HQ staff to keep the strong presence within the Sacramento Government core area. The study is proposed as three phases.

1. The first phase, allocated by the CTC in July 2002, will define the Department's specific space needs and options within the Sacramento core area. This phase includes identification of long-term rehabilitation needs for the existing HQ office building, building options at the HQ site and at Lot 275 two blocks south of the existing HQ building. This phase is scheduled for completion by November 2003.
2. The second phase will be an economic analysis of the viable alternatives identified in Phase 1, and recommendations for budgeting and implementation. This phase will also define the

needed timing and sequencing of actions to provide for the most cost-effective consolidation of staff. It is anticipated that this phase will be completed in 2005.

3. The third phase will be to seek budget and funding approval for implementation of the recommended actions. It is expected that the earliest start for design will be in fiscal year (FY) 2005/06, and that the first priority will be for construction on Lot 275 which when completed can provide swing space for employees when the HQ office building is under construction. The earliest start for any construction or renovation is expected in FY 2008/09, with completion of all consolidation by 2012. Of course, the actual implementation and completion schedule is contingent on the availability of funds and approval in future state budget cycles.

Attachment

## 2.5 Highway Financial Matters

Project #	Allocation Amount	Recipient	County	Location	EA (PPNO) (Amend #)	Budget Year	State
Dist-Co-Rte	Postmile	Project Description	Program/Year	Item #	Program	Federal	
		Project Support Expenditure	Prog Amount	Codes	Total Amount		
<b>2.5b(4) Projects Added to the SHOPP by Department Action</b>							<b>Resolution: FP-02-39</b>
1		In Sacramento Headquarters Office Building.	445611				
\$8,939,000		Seismic retrofit.	(1636B)	2002-03			
Sacramento			(02H-037)	311-0042		\$8,939,000	
03U-Sac-5506		(Project was noticed for Amendment into the SHOPP at the	SHOPP/02-03	311-0890		-	
		October 2002 CTC Meeting)		20.20.201.353			
			\$8,939,000			\$8,939,000	